



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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JUL 20 1998

IN REPLY
REFER TO DCMC-0

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Single Process Initiative (SPI) Quarterly Report, April 1 – June 30, 1998

The attached SPI quarterly report is for the third quarter of FY98. This report features information on USD (A&T) long term perspective – transition to Performance Based Business Environment (PBBE), top ten cost reducing process types, SPI Recognition Award Program, mass marketing of SPI and other benefits of SPI. While current SPI statistics can be found in the appendices, a variety of additional SPI data is also available for viewing on our home page (<http://www.dcmc.hq.dla.mil>).

I'm pleased to announce the appointment of Mr. Gordon Elley as the new SPI/Block Change Management Team Chief. He replaces Ms. Marialane Schultz, who has moved on to become the Deputy Executive Director for Operational Assessment and Programming. Mr. Elley comes to us from DCMC Chicago where he served as the Deputy.

Should you have any questions or concerns regarding information contained in the attached report, please contact our SPI/Block Change Management Team Chief, Mr. Gordon Elley, at (703) 767-2471.

TIMOTHY P. MALISHENKO
Major General, USAF
Commander

Attachment

cc:
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***SINGLE PROCESS INITIATIVE
QUARTERLY REPORT***

April 1, 1998 – June 30, 1998

Prepared by
The Defense Contract Management Command
(DCMC)

July 10, 1998

Single Process Initiative (SPI) Quarterly Report
April 1, 1998 -- June 30, 1998

The Single Process Initiative – A Long Term Perspective

- USD (A&T) Policy Memo, The Single Process Initiative – A Long Term Perspective, signed June 3, 1998. Memo requires:
 - DoD Component Acquisition Executives (CAEs) and the Commander, Defense Contract Management Command to ensure block change modifications are written in performance language
 - Primes and Suppliers transition to Performance Based Business Environment (PBBE)
 - Expansion of the Corporate SPI Management Council
- CAEs are to be appropriately represented at Corporate Management Council Meetings
- Concept papers will be expeditiously reviewed and disagreements among the components elevated for resolution
- Block Change Management Team established an Integrated Process Team (IPT) that will:
 - Develop guidance to ensure that block change modifications are written in performance language whenever practicable
 - Describe characteristics of appropriate performance language

Top Ten SPI Cost Reducers

- Manufacturing – Management moves into first place as the top cost reducing process type (see next article on Hardware Variability Control SPI).
- Tracking SPI's top cost reducers can be used to target high payoff areas and increase cost savings/avoidance
- Table below indicates actual and projected returns resulting from block change modifications

Top 10 Cost Reducing Process Types

Process Type	No. of Processes Reporting Cost Data	Combined Cost Avoidance and Negotiated Savings
Manufacturing – Management	16	\$60M
Quality – Calibration	53	\$50M
Testing	19	\$42M
Engineering – Configuration Management	57	\$38M
*Business – General	40	\$33M
Logistics – Parts/Material Management	38	\$28M
Manufacturing – Soldering/Welding	60	\$28M
Business – Subcontracting	31	\$18M
Quality – General/Multiple Processes	56	\$18M
Business – Earned Value Management	22	\$18M
Systems		

** Business-General includes processes not categorized under any other specific business process type.*

Longbow Program Saves \$18M with SPI

- Boeing, Mesa, AZ targets high payoff processes with SPI
- Hardware Variability Control SPI improves engineering and manufacturing management processes used on the Apache Helicopter production line:
 - MIL-STD-1528A “for guidance only”
 - Engineering and drawing based on functional usage
 - Simulation and statistical process control used to improve design and manufacturing process
- Results:
 - Reduces unit cost, lead time and stockage levels
 - Reduces Longbow production cost by \$18M – future cost avoidance estimated at \$40M

SPI Recognition Awards Program

- Defense Contract Management Command (DCMC) sponsoring SPI Recognition Awards Program
- Awards highlight and reward efforts of successful, active Management Councils in five areas:
 - High payoff processes
 - Business re-engineering
 - Acquisition Pollution Prevention
 - Supplier Mentoring
 - International Successes
- Additional award category for geographic CAOs – Increasing contractor participation in SPI
- Selection criteria – structured around SPI FY98 strategic goals – available on DCMC SPI Home Page since early June
- Judging Panel composed of representatives from academia, industry associations, and Military Services
- Nomination package due to SPI Team by July 22, 1998 – Feedback will be provided to all nominees
- Awards to be presented in September 1998

DCMC Americas Market SPI – Canadian Subcontractor Event

- Defense Contract Management District International continues to market SPI
- June 9, 1998, DCMC Americas participated in SUBCON Seminar and Exhibit in Ottawa, Ontario, Canada
 - Provided briefing to the Canadian Government Defense Agencies and the Canadian Defense Business Sector
 - Attendees from all Canadian provinces and other territories
 - Event provided excellent opportunity to mass market SPI
- DCMC Americas’ goal is to increase participation at both the prime and subcontractor level
 - Eight concept papers submitted by five contractors

“LEAN and CLEAN” at Ocean Radar & Sensor System

- Lockheed Martin Ocean Radar & Sensor System (OR&SS), Syracuse, NY using SPI to get “lean” and “clean”
- Identifying suppliers/subcontractor and non-manufacturing processes helps OR&SS get “lean” using SPI to:
 - Enable local decisions versus prime flowdown requirements
 - Eliminates non-value added tasks
 - Replaces MIL-SPEC approved parts with standard parts
- OR&SS is also getting “clean” with its clean solder process SPI
 - Eliminates need to “clean”
 - 12% time and material equipment savings
 - Environmental savings
 - Material and equipment savings
 - Results in an estimated \$322K cost avoidance/year
- Uses Workmanship Standards revision J-STD-001B (Class 3/IPC-A-610)
 - Results in 68 fewer defect types
 - Changes in the inspection magnification methods results in \$102K cost avoidance/year
- Writing Standards Disposition Document to define rules governing touch-up of 22 cosmetic defects – \$43K cost avoidance/year
- Reduces supplier cost – \$324K cost avoidance/year
- Uses Statistical Process Controls for process improvement – future plans include use of sampling versus 100% inspection

Great Leap Forward at General Electric

- Proposal to replace MIL-STD-1521, Technical Reviews and Audits for Systems, Equipment, and Computer Programs
- Block Change modifications signed at General Electric Aircraft Engines Evendale on June 30 and at GE Lynn on July 2
- Brings to closure 1-1/2 years of effort to find an acceptable replacement process for MIL-STD-1521

Army SPI Workshop

- Army conducted a two-day SPI interactive update in Huntsville, AL on May 19-20, 1998
- Workshop focus on SPI performance and organization of Army SPI program, including:
 - Overview of SPI’s Future
 - Army SPI level of effort
 - Review of SPI instant value (cost savings)
 - Identifying actual cost avoidance
 - Status of Overage Concept papers
- Attendees were Army SPI Single Point of Contact and all Army Component Team Leaders

SWAT Team in Action

- Defense Contract Management District East's SPI SWAT Team continues to support SPI
- Participated in Acquisition Reform Week III activities at both Defense Supply Center and Defense Industrial Supply Center, Philadelphia, PA
- On May 8th, provided SPI presentation at the Northeast Regional Council for Small Business Education and Advocacy Conference, Sturbridge, MA
 - Approximately 80-100 attendees –mainly Small Business Liaison Officers from major corporations within the Northeast and Small Business personnel from DLA/DCMC, Army, Air Force and Navy
 - Provided excellent opportunity to discuss the promotion of SPI at the subcontractor/supplier level
 - Encouraged companies to submit concept papers and work with suppliers to identify areas of opportunity
- On June 4, 1998, conducted SPI workshop at DCMC New York

Other Benefits of Single Process Initiative

- Transition to Single Process Initiative (SPI) should reduce costs
- Most contractors will incur transition cost in the near term that equals or exceeds savings
- SPI results in other benefits that are not always quantifiable:
 - Reduced government oversight
 - Improved performance – 70 pound weight reduction for the Apache Longbow Program
 - Industrial consolidation, modernization and mechanism for change – Rockwell-Collins credits SPI and their Management Council with facilitating the transition to lean manufacturing
 - Cleaner industrial output – Raytheon Texas Instruments reduced emission from painting by as much as 80%
 - Conversion to commercial practices: 198 facilities converted to ISO 9000, a commercial quality assurance standard

Streamlining of Calibration, Material Control and COTS

- Lockheed Martin Astronautics (LMA), Denver, CO, continues to use SPI to streamline processes
- Quality – Calibration SPI transition from MIL-STD-45662 to procedure based upon ANSI-Z540-1
 - Estimated cost savings/avoidance is \$7.7M with investment of \$24K
- Material Management SPI transition from mil-spec to contractors' commercial requirements
- Commercial off the Shelf (COTS) processes are also targeted for future streamlining
- COTS used in receiving inspection – goal is to reduce overall inspection
 - COTS/non-COTS selection combined with make/buy decision

Summary

- USD (A&T) long term perspective for SPI will facilitate the transition to PBBE
 - Corporate Management Councils and Supplier Involvement keys to success
 - Need for Block Changes to be Performance Based
- Hardware Variability Control SPI achieves \$18 Million in savings and \$40 Million in cost avoidance, while improving engineering and manufacturing management processes
- DCMC sponsors 2nd SPI Recognition Awards Program
- SPI continues to provide benefits other than savings such as transition to commercial processes and products

Appendix Index

Appendix	A - Executive Summary
Appendix	B - SPI Demographics

APPENDIX A



SINGLE PROCESS INITIATIVE

Implementation Summary

As of Friday, July 10, 1998

	Contractor Facilities:	294	S P I P R O C E S S
	Top 200 Corporation Facilities:	160	
	International Facilities:	12	
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	Total Proposed Process Changes:	1451	
	Found Technically Unacceptable:	58	
	Processes Withdrawn/Disapproved:	263	
	Total Block Change Modifications:	985	
	Average days from Submittal to Modification:	136	
	Total Open:	203	
	* Total Open Aged Over 120 days:	62	
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Proposal Development (30 Days)	Total Under Development/Awaiting Initial Acceptance:	19	
	Total Under Development for More Than 30 Days:	18	
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Approval (60 days)	Total Under Review for Approval:	98	
	Disagreements/Problems Escalated:	27	
	Total Under Review for More Than 60 Days:	41	
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Modification (30 Days)	Total Awaiting Contract Modification:	86	
	Total Awaiting Contract Modification for More Than 30 Days:	82	
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Implementation Results	Amount Negotiated:	\$30,105,433	
	Estimated Cost Avoidance on Future Contracts:	\$454,304,066	

* Does not include Law/Reg Proposals

Appendix A

APPENDIX B

SPI Demographics by Service and Buying Office

